FISCAL NOTE

SB 2777 - HB 3062

March 30, 2006

SUMMARY OF BILL: Authorizes the Department of Health to administer a pilot project to provide loans to persons that do not qualify as indigent but cannot afford treatment for alcohol or drug abuse.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – $1,384,900 Recurring
$3,900 One-Time

Increase State Revenues - $548,640 FY 07-08 and Subsequent Years

Other Fiscal Impact – Based on the success of the project, any expansion of the project into additional counties and/or increase in the number of participants will result in an increase in state expenditures and revenues.
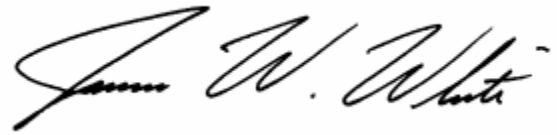
Assumptions:

- The pilot project will be offered in two urban counties, two suburban counties, and two rural counties. The bill does not set an amount of time for the pilot project.
- The estimate is based on the assumption that there will be a continual number of participants in the project.
- The average annual cost to treat a client in a substance abuse treatment facility is $2,670.
- It is estimated that 500 individuals will participate in the pilot project which will result in $1,335,000 ($2,670 X 500) in loans granted each year.
- The participants are required to repay the state for the funds paid to the treatment provider. Repayment will start one year and one day after the participant is discharged with an interest rate equal to the sum of the 91-day treasury bill plus 2.3%, not to exceed 8.25%.
- On average, the participants will repay the loan within three years with an interest rate of 7% resulting in monthly payments of $91.44. Such payments will increase state revenues by $548,640 ($91.44 X 12 X 500) in FY 07-08 and subsequent years.

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- The Department of Health will hire an accountant to assist in the administration of the program resulting in recurring expenditures of $49,867 and one-time expenditures of $3,900.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

James W. White, Executive Director